

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**COMPUTER MATCHING FIRST NAMES AND
BIRTHDATES OF AFDC RECIPIENTS CAN
HELP DETECT DOUBLE PAYMENT OF
WELFARE BENEFITS**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

P-327

COMPUTER MATCHING FIRST NAMES AND BIRTHDATES
OF AFDC RECIPIENTS CAN HELP DETECT
DOUBLE PAYMENT OF WELFARE BENEFITS

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Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the enhancement of the Department of Social Services' existing automated fraud detection system. The system can be improved by adding computer programs, which match the first names and birthdates of AFDC recipients, to help detect double payment of welfare benefits. The report also indicates a need for the Department of Social Services to review county welfare departments' compliance with AFDC intercounty transfer policies and procedures.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

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SUMMARY

The Birthdate Match computer programs can improve the State's detection of double payments to recipients of Aid to Families with Dependent Children (AFDC) cash grants. Our application of the Birthdate Match computer programs to a list of recipients of AFDC in California identified instances of inappropriate payments of AFDC and food stamp benefits that we estimate totaled at least \$282,000 and as much as \$436,000. Thirty-eight instances involved persons who were apparently receiving double AFDC payments based on fraudulent information; an additional 20 instances involved overlapping payments that occurred because counties did not follow proper procedures when AFDC recipients moved from one county to another. Counties did not know about more than half of the 58 instances of inappropriate payments that we identified. The Department of Social Services (department) could add the Birthdate Match computer programs to its current fraud detection system at little additional cost.

The Birthdate Match Computer Programs

The Birthdate Match computer programs detect double welfare payments by matching the first names and birthdates of two or more family members in one case with the first names and birthdates of two or more family members in another case. The department's current detection system does not detect instances of duplicate eligibility if recipients use different social security numbers.

Our application of the Birthdate Match computer programs to a list of 1.6 million AFDC recipients who were eligible for aid for three continuous months from March 1983 to July 1983 produced 542 matches. We examined a sample of 333 matches and found 58 that appear to be instances of inappropriate payments. The total amount of inappropriate

payments of AFDC and food stamp benefits in these 58 instances was approximately \$273,000. We estimate that if we had examined all 542 matches, we would have identified total inappropriate payments ranging from \$282,000 to \$436,000.

Fraudulent Double Payments

We identified 38 instances in which recipients were apparently receiving double aid payments as a result of providing fraudulent information. Double payments of AFDC and food stamp benefits in these instances totaled nearly \$261,000. County welfare departments have thus far confirmed double payments in 20 of the instances we identified. One recipient had apparently been receiving aid from at least five counties; the recipient, who has been arrested, may be involved in other instances in which double payments could total more than \$200,000. Another recipient had received approximately \$25,000 in double payments from two counties over a period of 31 months. Both of these recipients had falsified their last names and identification documents and had each used different social security numbers.

Counties were not aware of 27 of the instances we identified. Counties had learned of 4 instances of double payments that were detected by the Department of Health Services' Medi-Cal Eligibility Data System; the Department of Social Services had notified a county about one instance identified by the department's Duplicate Aid Detection System computer programs. The counties became aware of 6 other instances through nonroutine means.

The department estimates the cost of adding the Birthdate Match computer programs to its system at \$1,100, with an additional cost of \$900 per year to operate the programs. We believe the department should add the Birthdate Match computer programs to its detection system.

Intercounty Transfer Overlapping Payments

The Birthdate Match computer programs identified 20 instances in which counties were providing overlapping payments to AFDC recipients. Counties paid approximately \$12,000 in overlapping AFDC and food stamp benefits in these 20 instances. Counties were not aware of 6 of the instances that we identified. These overlapping payments resulted because counties did not stop or start aid payments on the date that payments were to transfer from one county to another. Some counties continued payments beyond the transfer date; some counties started payments too soon. Moreover, counties were not collecting overlapping payments by reducing the amount of aid payments in all known instances.

In addition, the department does not have specific procedures to review counties' compliance with intercounty transfer policies and procedures. Since approximately 26,000 AFDC cases were transferred from one county to another during fiscal year 1982-83, the department should review the intercounty transfer process. The department could add this review to a recently developed program to reduce errors in the county administration of the AFDC program.

INTRODUCTION

The Aid to Families with Dependent Children (AFDC) program provides cash grants to children and their parents or guardians whose income is insufficient to meet the children's basic needs. A family that receives an AFDC grant must meet certain eligibility requirements to qualify for a cash grant. Eligibility is limited to families with needy children whose parent or parents are deceased, incapacitated, not fully employed, continually absent, or to children who require out-of-home care in a foster home or institution. The amount of the cash grant is determined by the number of eligible persons in the family and the family's income. Additionally, a family can receive an AFDC cash grant only from the county where the family maintains a permanent residence. Counties maintain a single case file for each applicant and recipient; the case file identifies each individual and family eligible for aid.

In fiscal year 1982-83, AFDC cash grants to families in California totaled \$2.9 billion. These costs were shared by the federal government, the State, and the counties as shown in the table below.

DISTRIBUTION OF AFDC GRANT COSTS **FISCAL YEAR 1982-83**

Federal	\$1.45 billion
State	1.31 billion
Counties	<u>.16 billion</u>
Total	<u>\$2.92 billion</u>

In addition to costs for cash grants, state and county administrative costs for the AFDC program for fiscal year 1982-83 totaled over \$324 million. The federal government reimburses counties 50 percent of the administrative costs for federal AFDC cases. The State and the counties pay for 50 percent of the share that the federal government does not reimburse. The State and counties share the administrative costs for nonfederal AFDC cases. According to unaudited data provided by the Department of Social Services, the total program costs for fiscal year 1982-83, including county administration and grants to recipients, were approximately \$3.2 billion. During fiscal year 1982-83, approximately 1.59 million persons received AFDC benefits in California each month. Moreover, during the same period, county welfare departments received an average of approximately 40,000 new applications for aid each month.

Some families that receive AFDC grants are also eligible to participate in the Federal Food Stamp Program. The Food Stamp Program permits eligible low-income households to obtain a more nutritious diet by increasing food purchasing power.

County welfare departments are responsible for determining that recipients meet all eligibility requirements and for calculating both the amount of the monthly AFDC grant and the monthly food stamp entitlement. (In this report, the term "recipient" denotes a person who applies for and receives aid or a family member who is also eligible for aid.) Each month, recipients are required to complete and submit an eligibility determination form to the county welfare department, which then pays the

grant. Recipients must report any changes in the family status that could affect their eligibility or monthly grant amount.

Regulations of the Department of Social Services (department) specify that fraud in public assistance programs occurs when a person knowingly makes a false statement or fails to disclose a fact in order to obtain public aid, increase public aid, or avoid a reduction in public aid. These regulations also state that public assistance fraud occurs when persons knowingly receive aid to which they are not entitled. Sections 11482 and 11483 of the California Welfare and Institutions Code also prohibit AFDC recipients from withholding or falsifying information to collect more than the amount of aid to which they are entitled.

State Systems That Help Counties Detect Fraud

The Department of Social Services develops and interprets regulations, interprets laws and court decisions, monitors the performance of county welfare departments, and assists county welfare departments in developing procedures to determine the eligibility of AFDC and food stamp recipients. The department also operates an automated system designed to detect double payments of AFDC and food stamp benefits.

Prior to September 1983, the department operated the Duplicate Aid Detection System. This system, which was operated once every six months, identified by social security numbers those AFDC recipients who

may have been fraudulently receiving AFDC in more than one county. The system searched the Medi-Cal Eligibility History File, which is maintained by the Department of Health Services and which contains eligibility data on Medi-Cal and AFDC recipients. The file contains an 18-month's eligibility history of Medi-Cal recipients.

Beginning in September 1983, the department implemented the Integrated Earnings Clearance/Fraud Detection System. This system, among other things, detects unreported wages earned by persons who receive AFDC, food stamps, or Supplemental Security Income and State Supplemental Program benefits. The system compares recipients' reported wages with employer wage records maintained by the Employment Development Department. The Duplicate Aid Detection System was merged into the integrated system. Instead of searching the Department of Health Services' Medi-Cal Eligibility History File, the integrated system searches AFDC and food stamp data that counties send directly to the Department of Social Services. The department operates the system every three months, reporting some of the results immediately to county welfare departments and conducting preliminary reviews of the remainder before it refers them to the counties.

Another automated system that most county welfare departments were beginning to use at the time of our review is the Medi-Cal Eligibility Data System. The Department of Health Services implemented this system to provide an automated file of all persons eligible for Medi-Cal benefits. The Medi-Cal Eligibility Data System contains

information on AFDC recipients as well. As of January 1984, all 58 county welfare departments had access to this system. Counties can add, delete, or change a recipient's eligibility data in the file. The system organizes the information by social security number; when counties attempt to enter data on a person whose social security number duplicates a number already in the system, the computer refuses to accept the duplicate social security number. The Department of Health Services then alerts the county that an applicant for aid may be receiving aid in another county. Thus, the system can function as a method to prevent double payments of aid.

SCOPE AND METHODOLOGY

This report reviews computer programs called "Birthdate Match" that we obtained from the Federal Department of Health and Human Services. We used the programs to identify instances in which the birthdates and the first names of two or more members of one family that receives Aid to Families with Dependent Children are the same as the birthdates and the first names of two or more members of another family receiving aid.

To test these programs, we compiled a computerized list of all persons in the State who had been eligible for AFDC for three consecutive months during the five-month period from March 1983 to July 1983. This list, which we extracted from the Department of Health Services' Medi-Cal Eligibility History File, contained names and birthdates of approximately

1.6 million persons. We then applied the Birthdate Match to the list to identify instances in which two or more family members in one AFDC case had the same birthdates and first names as two or more family members in another AFDC case.* We then examined a sample of the "matches" to determine if the families that the computer matched had been receiving double payments of AFDC. For each match in our sample, we reviewed eligibility and payment documents such as birth certificates, social security cards, AFDC application forms, payment records, and other pertinent data in case files of the counties involved. When our review of these documents identified recipients who appeared to be receiving double payments, we calculated the amount of double payments received from the time the payments began in the second case. When we found that some of these recipients had also received double payment of food stamp benefits, we calculated the amount of those double payments as well.

During our review, we visited 5 counties (Los Angeles, Orange, Riverside, Sacramento, and San Bernardino), and requested documents from 45 others. We then referred instances of potential double payments to the appropriate county welfare departments for investigation. We also reviewed the procedures that the Department of Social Services uses to assist counties in verifying AFDC eligibility.

*A Federal Department of Health and Human Services staff member advised us that matching two members of families rather than one reduces the number of "coincidental computer matches." Coincidental computer matches are matches of persons who have the same birthdates and similar names as persons in different families; in such instances, there are no double payments of aid.

Finally, we studied a sample of children under six years old for whom recipients are receiving AFDC to determine if the recipients were receiving aid for children who did not exist or who were not living with the recipients. We randomly selected a sample of 332 children under six years of age. We determined if these children existed in the families by searching for data on the children in the following documents: Medi-Cal claims; Women, Infants, and Children Special Supplemental Food Program enrollment records; child support orders; and Department of Health Services death records. (Our study is described in Appendix D of this report.)

CHAPTER I

COMPARING THE BIRTHDATES AND FIRST NAMES OF AFDC RECIPIENTS IDENTIFIES DOUBLE PAYMENTS NOT DETECTED BY EXISTING STATE SYSTEMS

Using computer programs that compare birthdates and first names, we identified 38 potential instances of fraud in which recipients of Aid to Families with Dependent Children appeared to be intentionally collecting aid from more than one county at the same time. We also identified 20 instances in which county welfare departments were inadvertently making overlapping aid payments to recipients who had moved from one county to another. The total amount of inappropriate payments of AFDC and food stamp benefits that we identified was approximately \$273,000. Although county welfare departments already knew about some of the instances of inappropriate payments, existing systems had not detected over half of the instances of inappropriate payments that the Birthdate Match identified. In addition, the Department of Social Services has not been forwarding to the counties all instances of potential double payments identified by the department's Duplicate Aid Detection System computer programs. Finally, counties have not always recovered overlapping payments to recipients who moved from one county to another, and the department lacks specific procedures for reviewing the intercounty transfer process.*

*Throughout this report, we use the term "inappropriate payments" to refer to both double payments and overlapping payments.

AFDC DOUBLE PAYMENTS CAN BE
IDENTIFIED BY THE BIRTHDATE
MATCH COMPUTER PROGRAMS

We created a list of the names and the birthdates of AFDC recipients in the State using the Department of Health Services' Medi-Cal Eligibility History File. We listed only recipients who had been eligible for AFDC for three continuous months during the period from March 1983 to July 1983. By applying to the list the Birthdate Match computer programs, which we obtained from the Federal Department of Health and Human Services, we identified 542 instances in which the birthdates and first names of two or more recipients in one AFDC case matched the birthdates and first names of two or more recipients in another AFDC case. We examined case files of a sample of 333 (61 percent) of the matches.

Fifty-eight matches in our sample appear to be instances in which AFDC recipients received inappropriate payments of aid either in two counties or in two cases within the same county. Recipients received inappropriate payments of AFDC and food stamp benefits of approximately \$273,000 in the 58 matches. We estimate, at a confidence level of 90 percent, that if we had investigated all 542 matches identified through the Birthdate Match we would have discovered between 73 and 96 instances of inappropriate payments with total inappropriate payments of between \$282,000 and \$436,000. In 10 matches in our sample, we could not determine if inappropriate payments had been made because we were unable to obtain the necessary documents.

The remainder of the matches that the programs identified did not represent double payments of aid. In all but 12 of the 265 remaining matches, counties had failed to correct the eligibility data in the Medi-Cal Eligibility History File when the recipients were no longer eligible for aid in that county. For example, 214 matches involved recipients who had simply moved from one county to another, and either the county from which they had moved or the county to which they had moved did not correct the eligibility data on these recipients. The 12 matches that did not result from errors in the file involved recipients who were different persons even though their birthdates and first names were the same.

The Department of Social Services' detection system compensates for erroneous file data provided by counties. The department's current Duplicate Aid Detection System, which has been merged with the Integrated Earnings Clearance/Fraud Detection System, selects only those matches in which county data show a recipient eligible for aid in two counties simultaneously for at least two months. The Integrated Earnings Clearance/Fraud Detection System, which no longer uses the Medi-Cal Eligibility History File, now searches data that counties send directly to the Department of Social Services concerning AFDC and food stamp recipients. The chief of the department's Fraud Program Management Bureau said that selecting only those matches with at least a two-month eligibility overlap reduces the number of matches caused by errors in eligibility data provided by counties.

The chief also told us that the Birthdate Match computer programs can be merged into the integrated system and that the combined computer programs would identify only persons who have been eligible for aid from two counties simultaneously for two months or longer. The chief further stated that the department could add the Birthdate Match to its existing system without requiring a budget increase; the chief estimates it would cost approximately \$1,100 to add the Birthdate Match to the Integrated Earnings Clearance/Fraud Detection System and it would cost an additional \$900 per year to operate the programs. We believe that the department can improve its detection of recipients who are receiving double payments by adding the Birthdate Match to its existing system.

SOME AFDC RECIPIENTS
ARE INTENTIONALLY COLLECTING
AID FROM MORE THAN ONE COUNTY

Of the 58 instances that appear to involve double payments of AFDC and food stamp benefits, 38 involve recipients who are fraudulently receiving double aid. These recipients apparently provided to county welfare departments false information about either their place of residence or the place of residence of their dependent children. In the 38 instances, recipients appear to have fraudulently received approximately \$261,000 in AFDC and food stamp benefits, for periods ranging from 1 to 76 months. The average amount of double payments was approximately \$6,900 per case. In 11 instances, recipients had collected double payments for longer than one year. (Appendix A shows the amount of each of the 38 instances of potential fraudulent payments.)

Counties Have Confirmed
Double Payment Cases

We requested county welfare departments to confirm that double payments of benefits had occurred in the 38 instances and to review these instances for potential fraudulent activity. County welfare departments had confirmed double payments in 20 instances by the end of our review. In one instance, a recipient appears to have been receiving payments from more than two counties. A county fraud investigator told us that this recipient, who has been arrested while the investigation continues, has been receiving aid simultaneously from at least five counties. The investigator also stated that this recipient may be involved in other instances in which double payments could exceed \$200,000. The recipient is also suspected of receiving welfare assistance in another state. In another instance, the counties confirmed that a recipient received approximately \$25,000 in double payments from two counties over a period of 31 months. In both cases, the recipients had falsified their last names, addresses, and identification documents, and had used different social security numbers.

Counties Did Not Know
About Some of the Potential
Fraud Instances We Identified

At the time of our review, county welfare departments were aware of 11 of the 38 instances of double payments that we identified. The Department of Health Services had notified the county welfare departments of four instances that had been detected through the Medi-Cal

Eligibility Data System. The Department of Social Services had notified a county of an additional instance that the department's Duplicate Aid Detection System had detected. The counties had become aware of the remaining six instances through nonroutine means, such as by receiving anonymous telephone calls. County welfare departments did not know, however, about 27 of the 38 instances of potential fraud because county and state detection systems are limited in their ability to detect double aid payments, and the Department of Social Services did not forward all potential fraud cases to the counties for investigation. (Appendix B shows the method by which the potential fraud cases were detected.)

Prior to the Department of Health Services' full implementation of the Medi-Cal Eligibility Data System in January 1984, counties did not have access to a statewide file of AFDC recipients. Some county officials told us that when a person applied for aid, a county welfare department could not determine from its own files if the applicant was receiving aid from another county.

County applications for aid ask applicants if they have previously applied for or received aid. If the applicants fraudulently denied receiving aid in another county, counties lacked sources of information for detecting the fraudulent claims. Further, some county welfare department officials said that they could not determine whether applicants and recipients were providing false information concerning their residence or the residence of their children without home visits to applicants and recipients. They also stated that home visits are not

always possible because of the large welfare workload. Consequently, counties relied on the State to identify fraudulent double claims for AFDC.

However, if AFDC recipients provide incorrect social security numbers on their applications, the State's current detection system does not detect double payments of aid. Sixteen of the potential fraud instances that counties did not know about prior to our study were not detected because the department's Integrated Earnings Clearance/Fraud Detection System detects only duplications of AFDC recipients' social security numbers. In these 16 instances, recipients had been using a different social security number in each county.

Another limitation of the department's automated detection system is that it excludes many instances in which counties fail to include complete or accurate social security numbers. For example, if a county fails to include a social security number of a recipient, the system cannot compare that social security number with the numbers provided by other AFDC recipients. In June 1983, the system did not include data on approximately 230,000 AFDC recipients listed on the Medi-Cal Eligibility History File because counties failed to send social security numbers.

The remaining 11 instances of potential double payments that the counties did not know about were identified by the department's Duplicate Aid Detection System computer programs, but the department had

not forwarded these matches to the counties for investigation. To determine the number of instances of double payments identified through the Birthdate Match that would also have been identified by the Duplicate Aid Detection System, we asked the department to run its Duplicate Aid Detection System computer programs against the same file that we used with the Birthdate Match. In our test, we had used a later file than the department used when it ran its Duplicate Aid Detection System in June 1983. In December 1983, the department ran its Duplicate Aid Detection System against the same file we used with the Birthdate Match.

When the department ran its Duplicate Aid Detection System computer programs on the file we used, the department identified 20 of the 38 instances of double payments identified by the Birthdate Match. These 20 instances represent approximately \$97,000 in potential fraudulent double payments. The department, however, had notified the county welfare departments of only one of these 20 instances. The department's Duplicate Aid Detection System had identified this instance in December 1981. After conducting a preliminary case file review, the department referred the information to the county in October 1982. Although the department had notified the county welfare departments of only one of the 20 instances, counties already knew about an additional 8 of the 20 either through the Medi-Cal Eligibility Data System or through nonroutine means. Thus, counties knew of only 9 of the 20 instances that the department identified when it ran its computer programs against the same file we used with the Birthdate Match.

Department staff said that the department had not notified counties of all instances of potential double payments because preliminary reviews of these instances had not been completed. The chief of the department's Fraud Program Management Bureau stated that because of the workload associated with the Assets Clearance Match mandated by Chapter 703, Statutes of 1981, the bureau has not had sufficient resources since approximately November 1982 to conduct preliminary reviews of the social security number matches of the Duplicate Aid Detection System. In the Assets Clearance Match, the department compares AFDC files with Franchise Tax Board records of interest and dividend payments to identify unreported income and assets of AFDC recipients.

The chief further stated that with the implementation of the Integrated Earnings Clearance/Fraud Detection System, the department will no longer conduct preliminary reviews of all matches that indicate potential double aid payments. The department will forward to the counties for investigation those matches in which the recipients' social security numbers, first and last names, sex, and dates of birth are the same. The department will conduct a preliminary review of matches in which only the social security numbers match.

The Department of Health Services and the Department of Social Services are also implementing a system to validate social security numbers of Medi-Cal recipients (including recipients of AFDC) with the Federal Social Security Administration. Counties will be informed of all social security numbers that cannot be validated so that counties may resolve any discrepancies.

According to the chief of the Welfare Fraud and Audits Branch, this system will help ensure that AFDC recipients have correct social security numbers, making it more difficult for them to falsify information to collect double payments. According to the chief, the number of matches identified by the Birthdate Match may diminish with the implementation of this system because validating social security numbers will reduce the amount of incorrect social security numbers in the files.

The Birthdate Match Computer Programs
Are a Potential Enhancement to a
State Index of Welfare Beneficiaries

In 1979, the Legislature mandated that the Department of Social Services implement a centralized system for public assistance programs that would include verifying eligibility. The department worked on this project until 1982 when the Legislature suspended the work and directed the Auditor General to contract with a private firm to evaluate alternatives for implementing the system. Arthur Andersen & Co., which received the contract, recommended that the State develop a statewide central index of all AFDC and food stamp recipients by building upon the Department of Health Services' Medi-Cal Eligibility Data System. Supplemental language to the 1983-84 Budget Act required the department to review the system proposed by the Arthur Andersen & Co., and recommend further options to the Legislature. In a December 1983 report to the Legislature, the department recommended that the Medi-Cal Eligibility Data System be used as a central index of welfare beneficiaries.

Adding the Birthdate Match to the Medi-Cal Eligibility Data System would enhance the system's ability to detect applicants for aid who use different social security numbers. The Manager of the Medi-Cal Eligibility Data System Project in the Department of Health Services' Systems Development Division told us that the Birthdate Match could be added to the system if the Legislature authorizes development of the Medi-Cal Eligibility Data System as a central index of AFDC and food stamp recipients. The Department of Health Services was unable to provide us with an estimate of the cost of adding the Birthdate Match to the Medi-Cal Eligibility Data System.

COUNTIES ARE PROVIDING OVERLAPPING
AFDC PAYMENTS WHEN AFDC RECIPIENTS
MOVE FROM ONE COUNTY TO ANOTHER

In addition to identifying potential fraud instances, the Birthdate Match identified 20 instances in which county welfare departments overpaid AFDC recipients who moved from one county to another. Counties paid a total of \$12,000 in overlapping payments of aid in these 20 instances. Overlapping payments occurred because county welfare personnel did not start or stop aid payments on the appropriate date. Although some counties were already aware of 14 of these instances of overlapping payments, counties did not always notify other counties or collect overlapping payments when an AFDC recipient moved from one county to another. Moreover, because the Department of Social Services does not have specific procedures for reviewing county compliance with AFDC intercounty transfer policies, the department has no measure of the rate at which such problems are occurring.

Counties Are Not Always Following Intercounty Transfer Procedures

Twenty of the 58 instances of AFDC inappropriate payments identified by the Birthdate Match were overlapping payments to AFDC recipients who moved from one county to another. That is, one county failed to stop aid payments on the same date that the other county started aid payments, or one county began aid payments before the other county stopped aid payments.

The department's regulations contain policies and procedures that counties should follow when transferring an AFDC case from one county to another. The regulations state that aid should be continuous, but that payments should not overlap during the transfer process. The county from which the recipient is moving should prepare a notice of intercounty transfer and send it to the county to which the recipient is planning to move. On the notice, the county from which the recipient is moving specifies the date it will discontinue aid payments. After receiving the notice, the second county enters the date it will start aid and returns the notice to the first county. The regulations state that when a recipient of AFDC notifies only the county to which he or she has moved, this county should contact the county from which the recipient has moved to arrange a date of transfer of payments.

In 16 of the 20 instances of overlapping aid, the county welfare departments did not stop aid on the date specified on the notice of intercounty transfer. Some counties failed to cancel authorizations

of payment. Unless the county cancels these authorizations for payment, the payments are automatically made.

In 4 of the 20 instances, counties to which recipients moved started aid payments too soon. In one of these instances, the county to which the recipient had moved did not contact the county from which the recipient had moved in order to arrange a date of transfer; consequently, the county to which the recipient moved started aid payments before the other county stopped aid payments. In two other instances, the county to which the recipient had moved did contact the county from which the recipient had moved, but the county started aid payments before the date of transfer. Finally, in another instance, the county to which the recipient had moved started aid payments before the date of transfer, while the county from which the recipient had moved continued aid payments beyond the date specified.

In total, counties paid approximately \$12,000 in overlapping AFDC and food stamp benefits in the 20 instances of double payments in our sample, an average of approximately \$600 per case. (Appendix C shows the 20 instances of overlapping payments related to intercounty transfers.)

According to department data, approximately 26,000 AFDC cases were transferred from one county to another in fiscal year 1982-83. Our sample of computer matches included only 234 instances of intercounty transfers. Because our sample of instances was not a random selection of

all intercounty transfers occurring within a specific period, we cannot statistically estimate the number of overlapping payments that may have occurred in all intercounty transfers. However, we believe there may be considerably more overlapping payments occurring during the intercounty transfer process than the 20 we found.

Counties Are Not Always Recovering Overlapping Payments

The department's regulations state that the county from which the recipient is moving shall notify the county to which the recipient is moving of any overlapping payments the recipient has received. Further, federal regulations require that overlapping AFDC payments be promptly collected. The county providing aid can collect these overlapping payments by reducing the monthly grant amount by up to 5 percent in cases in which the error was caused by the county. Although counties were aware of some of the overlapping payments that occurred when a recipient had moved from one county to another, counties had not always notified other counties of overlapping payments, and some counties that were notified did not collect the overlapping payments.

At the time of our review of case files, counties had identified 14 of the 20 instances of overlapping payments that we identified. However, counties to which the recipients moved and which had been notified of the double payments by other counties had begun procedures to collect overlapping payments in only 5 instances. In another 4 of the 14 instances, although the county that made the

overlapping payments had notified the county to which the recipient moved, the latter county did not collect the overlapping payments. In another 5 of the 14 instances, the counties that made the overlapping payments did not notify the counties to which the recipients had moved.

The Department Has Not Reviewed
County Compliance with Intercounty
Transfer Policies and Procedures

Although the department's Organization Handbook states that the department is responsible for monitoring the county programs used to provide aid payments to eligible recipients, for evaluating county programs, and for making recommendations to reduce AFDC administrative costs, the department currently does not have specific procedures to review counties' operations for compliance with intercounty transfer policies and procedures. The chief of the department's AFDC Program Management Branch, which is responsible for ensuring that overlapping payments do not occur during the intercounty transfer process, stated that the AFDC Program Management Branch relies on the department's Review and Evaluation Branch to identify errors in the administration of the AFDC program. The chief said that this latter unit has not reviewed cases to detect payment errors occurring during the intercounty transfer process. Consequently, the department has no measure of the rate at which such problems are occurring.

The department could take steps to monitor the intercounty transfer process more closely. The department's Review and Evaluation

Branch has recently developed a program to review AFDC cases to reduce errors in county administration of the AFDC program. The chief of this branch told us that the branch could test county compliance with intercounty transfer procedures in conjunction with this review. Further, the deputy director of the department's Management Systems and Evaluation Division stated that responsibility for reviewing intercounty transfer operations is within the Review and Evaluation Branch. Finally, the chief of the department's AFDC Program Management Branch stated that his branch could send a letter to the counties informing them that failure to comply with the department's intercounty transfer procedures could result in overlapping payments to AFDC recipients.

CHAPTER II

CONCLUSION AND RECOMMENDATIONS

The State can improve its detection of recipients of Aid to Families with Dependent Children who are receiving double payments. The Department of Social Services' Integrated Earnings Clearance/Fraud Detection System detects only instances in which recipients' social security numbers are the same in two AFDC cases. The detection system does not detect instances in which recipients use different social security numbers to establish AFDC eligibility in more than one county.

We applied the Birthdate Match computer programs to a list of approximately 1.6 million AFDC recipients. In the sample of computer matches that we reviewed, we identified 58 instances in which recipients are apparently receiving double or overlapping payments of aid; in 38 instances, AFDC recipients were apparently receiving aid fraudulently. In 20 instances, counties were inadvertently providing overlapping payments. We estimate that if we had examined all matches provided by the Birthdate Match, we would have discovered that AFDC recipients in California received at least \$282,000 and as much as \$436,000 in inappropriate benefits.

Most of the 38 instances of apparent fraudulent double payments that we identified had not been previously known by the counties. Sixteen of the instances had not been detected because the recipients had used different social security numbers when applying for aid in different

counties. Counties did not know of an additional 11 instances of double payments because the Department of Social Services had not notified counties about these instances that the department's Duplicate Aid Detection System computer programs had identified.

Counties knew about 14 of the 20 instances in which recipients who moved from one county to another received overlapping payments. The 20 overlapping payments occurred because county welfare departments did not either stop or begin payments at the appropriate time. In addition, some county welfare departments did not always notify other counties of overlapping payments when a recipient moved to another county. Further, some counties that were notified of overlapping payments were not always recovering the overlapping payments. Finally, the department does not have specific procedures for reviewing county compliance with AFDC intercounty transfer procedures.

RECOMMENDATIONS

To improve its detection of instances of potential AFDC fraud, we recommend that the Department of Social Services do the following:

- Add the Birthdate Match to its Integrated Earnings Clearance/Fraud Detection System;

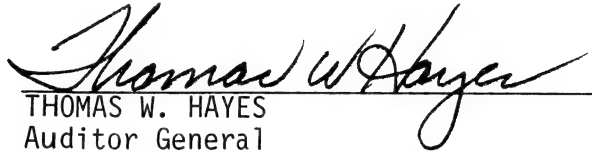
- Add the Birthdate Match to the Medi-Cal Eligibility Data System if the Legislature authorizes the Department of Social Services to develop this system as a centralized file for all public assistance recipients and if the enhancement is cost effective; and
- Evaluate the effectiveness of the Birthdate Match once the system to validate social security numbers becomes fully operational.

To assist the county welfare departments in preventing overlapping payments to AFDC recipients who move from one county to another, the Department of Social Services should take the following actions:

- Immediately send the counties a letter alerting them that overlapping payments are occurring in the intercounty transfer process and requesting counties to assure full compliance with intercounty transfer procedures and to take appropriate action to recover overlapping payments that are detected; and
- Require the Review and Evaluation Branch to review county compliance with the intercounty transfer procedures, and establish a test to assess county welfare departments' compliance with intercounty transfer policies and procedures.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: February 27, 1984

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HEALTH and WELFARE AGENCY

OFFICE OF THE SECRETARY
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Sacramento, California 95814
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February 21, 1984

Mr. Thomas W. Hayes
Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

REPORT OF THE OFFICE OF THE AUDITOR GENERAL TO THE JOINT LEGISLATIVE AUDIT COMMITTEE ENTITLED, "COMPUTER MATCHING FIRST NAMES AND BIRTHDATES OF AFDC RECIPIENTS CAN HELP DETECT DOUBLE PAYMENT OF WELFARE BENEFITS"

Thank you for providing our Agency with the opportunity to respond to your review of the AFDC eligibility process. We appreciate the efforts of your staff in the development of specific recommendations for program improvement. Your report will assist the Department of Social Services in the development of necessary policy and procedural changes, some of which may require the redirection of existing resources and the enactment of legislative proposals.

Attached you will find comments prepared by the Department for inclusion in your report. The staff of the Department will be pleased to meet with you at your convenience to discuss their responses to any of the subject areas in the report.

Sincerely,

A handwritten signature in dark ink, appearing to read 'David B. Swoap', written over a horizontal line.

for DAVID B. SWOAP
Secretary

Attachment

SDSS Response

The State Department of Social Services (SDSS) comments regarding the draft report of the Office of the Auditor General (AGO) entitled, "Computer Matching First Names and Birthdates of AFDC Recipients Can Help Detect Double Payment of Welfare Benefits", February 1984, Report P-327.

Auditor General's Office Recommendation:

"Add the birthdate match to its Integrated Earnings Clearance/Fraud Detection System;"

SDSS Response:

The SDSS concurs with the recommendation. The SDSS will perform an analysis of this recommendation as it applies to the Integrated Earnings Clearance/Fraud Detection System. The Department also intends to add this match into the system for both AFDC and food stamp recipients.

Auditor General's Office Recommendation:

"Add the birthdate to the Medi-Cal Eligibility Data System if the Legislature authorizes the Department of Social Services to develop this system as a centralized file for all public assistance recipients and if the enhancement is cost effective;"

SDSS Response:

The SDSS concurs with the recommendation.

Auditor General's Office Recommendation:

"Immediately send the counties a letter alerting them that overlapping payments are occurring in the intercounty transfer process and requesting counties to assure full compliance with intercounty transfer procedures and to take appropriate action to recover overlapping payments that are detected;"

SDSS Response:

The SDSS concurs with the recommendation. The Department will take action within 60 days of the date of this report.

Auditor General's Office Recommendation:

"Require the Review and Evaluation Branch to review county compliance with the intercounty procedures and establish a test to assess county welfare departments' compliance with intercounty transfer policies and procedures."

SDSS Response:

While we agree that this type of review activity is consistent with this Branch's other review efforts, we believe it would be premature to assign this review activity to the Operations Assessment Bureau of the Review and Evaluation

Branch without further study by the Department. Currently, all of the Bureau's resources are fully committed to reviewing other priority items. In all probability, the addition of an intercounty transfer review effort would require the reduction of other Bureau review efforts, such as the dollar error rate reduction effort in AFDC.

It is possible that the Department may conclude that such a redirection of Bureau resources would be appropriate, but first, the Department must consider the cost/benefits of redirecting these resources. Additionally, the Department must consider alternative methods to meet this need.

However, rather than requiring the suggested review at this time, the Department proposes to examine this potential problem within six months, assess its likely magnitude, and develop an appropriate method to deal with it. The Department will also determine the most cost beneficial manner to address this issue.

General Comment

The AGO report indicates that further efforts are needed to pursue fraud and abuse. While the Department of Social Services appreciates the suggestions for action, it should be noted that the Department has and will continue to aggressively pursue welfare fraud and abuse. The Department is committed to administer its programs in the most efficient, economical and effective ways.

APPENDIX ASUMMARY OF POTENTIAL
FRAUDULENT DOUBLE PAYMENTS

<u>Match Number</u>	<u>Months of AFDC Double Payments</u>	<u>Double Payment Amount</u>		
		<u>AFDC</u>	<u>Food Stamps</u>	<u>Total</u>
1	8.0	\$ 2,069	\$ 410	\$ 2,479
2	3.0	1,095	229	1,324
3	3.5	2,187	548	2,735
4	9.0	3,550	521	4,071
5	12.0	7,004	53	7,057
6	23.0	6,819	1,689	8,508
7	6.0	2,995	447	3,442
8	3.0	1,171	126	1,297
9	8.0	2,593	0	2,593
10	76.0	36,136	3,116	39,252
11	38.0	29,329	6,302	35,631
12	21.0	14,487	3,019	17,506
13	31.0	12,282	2,336	14,618
14	1.0	601	0	601
15	5.0	1,203	235	1,438
16	5.0	3,005	669	3,674
17	24.0	11,369	1,616	12,985
18	7.0	2,842	522	3,364
19	14.0	7,095	1,097	8,192
20	2.0	1,012	306	1,318
21	27.0	10,948	1,724	12,672
22	2.0	491	0	491
23	8.0	2,797	0	2,797
24	8.0	4,816	785	5,601
25	6.0	2,823	0	2,823
26	1.0	278	0	278
27	7.5	3,819	828	4,647
28	4.0	1,569	543	2,112
29	7.0	2,904	527	3,431
30	4.0	1,531	204	1,735
31	2.0	1,066	199	1,265
32	31.0	21,000	4,000	25,000
33	13.0	5,304	968	6,272
34	19.0	7,784	531	8,315
35	11.0	3,943	0	3,943
36	11.0	4,095	0	4,095
37	1.0	126	0	126
38	6.5	2,536	517	3,053
Total		<u>\$226,674</u>	<u>\$34,067</u>	<u>\$260,741</u>
Averages	12.3			\$6,862

APPENDIX B

METHOD OF DETECTING POTENTIAL FRAUDULENT DOUBLE PAYMENTS

Match Number	Known to Counties Prior to Our Study			Not Known to Counties Prior to Our Study	
	<u>Detected by Duplicate Aid Detection System</u>	<u>Detected by Counties by Means of the Medi-Cal Eligibility Data System</u>	<u>Detected by Nonroutine Methods</u>	<u>Detected by Duplicate Aid Detection System Computer Programs But Not Forwarded to the Counties</u>	<u>Undetected Because the Same Recipients Had Different Social Security Numbers</u>
1				X	
2				X	
3				X	
4				X	
5					X
6			X		
7		X			
8		X			
9				X	
10					X
11					X
12		X			.
13	X				
14			X		
15					X
16				X	
17					X
18			X		
19			X		
20				X	.
21					X
22					X
23				X	
24					X
25					X
26					X*
27				X	
28					X
29					X
30			X		
31			X		
32					X
33					X
34		X			
35					X
36				X	
37				X	
38					X
Total	<u>1</u>	<u>4</u>	<u>6</u>	<u>11</u>	<u>16</u>

*In this instance, one of the recipients in the AFDC family did have the same social security number; however, the Duplicate Aid Detection System did not identify the match because the overpayment was for one month. The Duplicate Aid Detection System selected only matches where the statewide file indicated that the recipient had been eligible in two cases simultaneously for at least three months. The Integrated Earnings Clearance/Fraud Detection System selects matches where the statewide file indicates the recipient is eligible in two cases for at least two months.

APPENDIX C

SUMMARY OF OVERLAPPING PAYMENTS
IN INTERCOUNTY TRANSFER CASES

<u>Match Number</u>	<u>Months of AFDC Overlapping Payments</u>	<u>Overlapping Payment Amount</u>		
		<u>AFDC</u>	<u>Food Stamps</u>	<u>Total</u>
1	1.0	\$ 506	\$ 0	\$ 506
2	1.0	506	0	506
3	3.0	1,518	0	1,518
4	1.0	601	0	601
5	0.5	253	0	253
6	1.0	170	0	170
7	0.5	253	0	253
8	1.0	301	0	301
9	1.0	506	0	506
10	2.0	1,372	252	1,624
11	2.0	1,012	0	1,012
12	0.5	204	0	204
13	3.0	1,224	0	1,224
14	1.5	299	0	299
15	2.0	408	0	408
16	1.0	528	0	528
17	0.5	204	0	204
18	0.5	204	0	204
19	1.0	506	0	506
20	3.0	1,020	0	1,020
Total		<u>\$11,595</u>	<u>\$252</u>	<u>\$11,847</u>
Averages	1.4			\$ 592

VERIFYING THE EXISTENCE OF
CHILDREN OF AFDC RECIPIENTS

In addition to conducting a test to determine if recipients of Aid to Families with Dependent Children were claiming aid in more than one county, we also conducted a test to determine if recipients were receiving aid for children who did not exist or who were not living with the recipients. We reviewed Medi-Cal claims; records of the Women, Infants, and Children Special Supplemental Food Program; child support orders; and vital statistics records, to verify the existence of 332 children under six years old for whom families were receiving AFDC. Our tests did not identify any children who did not exist or who were not living with the recipients.

We selected a random sample of 332 children younger than six years old for whom recipients had received aid for a period of 17 months. We selected children under six because county welfare department officials told us that they have difficulty verifying the existence of such young children in families that apply for AFDC. Since children under six are not required to attend school, school enrollment records cannot be used for verification. Further, we selected children younger than six because we assumed that they are more likely to require medical care than older children. We searched the Medi-Cal records to identify children in our sample who had Medi-Cal claims during the previous 15 months. We found that all but 25 of the 332 children in our sample had such claims. We then focused on the 25 children who had no Medi-Cal claims.

To establish the existence of these 25 children, we reviewed the enrollment records of the Women, Infants, and Children Special Supplemental Food Program, which provides nutrition education and supplemental foods to mothers and young children. We considered enrollment in the program as sufficient evidence of the child's existence. We found that none of the 25 children were enrolled in the program.

Since 12 of these children were receiving aid in three of the counties we visited in our test of the Birthdate Match, we reviewed the case files for these 12 children at the three county welfare departments to determine if the files contained a notice indicating that the district attorney had obtained a child support order for the child. If we did not find such a notice, we contacted the district attorney's office to determine if an order had been issued. We found that a child support order had been issued for 5 of the 12 children. We requested county investigators to conduct a home visit to verify the existence of the remaining 7 children. County investigators verified the existence of all 7 children.

We also requested county welfare departments to verify the existence of the remaining 13 children who received aid in those counties we did not visit. We requested counties to review the case file or contact the district attorney to determine if the district attorney had obtained a child support order for the child. We requested the county to conduct a home visit to verify the existence of the child if the district attorney had not obtained a child support order. Through these tests, county investigators verified the existence of all 13 children.*

Finally, we examined the vital statistics records at the Department of Health Services to verify that none of the children in our sample were deceased. We found no indication that any of the children were deceased. We concluded from our tests that all children in our sample of 332 children did exist and did live with the AFDC recipient.

*Although the county investigators found no instances among the cases we referred to them where they could prove that a recipient was collecting AFDC payments for a child who did not exist or was not residing in the home of the recipient, they reported two instances in which they believe aid payments may have been improper. In one instance, the mother may have been ineligible for aid because she apparently was away from home for long periods of time. In another instance, the mother may have taken the children out of the country for two months. In both instances, however, county investigators stated that they had not obtained sufficient evidence to terminate aid.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps